

AMENDED IN ASSEMBLY MAY 9, 2006

AMENDED IN ASSEMBLY APRIL 20, 2006

AMENDED IN ASSEMBLY MARCH 23, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 1887

Introduced by Assembly Member Dymally

January 23, 2006

An act to add Section 23690 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1887, as amended, Dymally. Corporation tax credits: digital media arts training.

Existing law authorized until January 1, 2006, the Digital Arts Studio Partnership Demonstration Program. The program was administered by the Arts Council with the designation by the council of 3 voluntary pilot digital arts studio partnerships in the state for the purpose of providing digital media arts training to youths aged 13 to 18 years, inclusive.

The Corporation Tax Law authorizes various credits against the taxes imposed by that law.

This bill would allow a credit under that law in an amount allocated to the taxpayer by the commission, as defined, for support of the Digital Arts Studio Partnership Demonstration Program, as provided.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would become operative only if AB 252 is chaptered and reauthorizes the Digital Arts Studio Partnership Demonstration Program.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature hereby finds and declares all of
2 the following:
- 3 (a) No systematic California policy exists for indepth
4 equipping, teaching, or defining standardized integrated
5 curriculum in media arts and communications technology at all
6 school levels that is responsive to digital technology tool
7 evolution or societal needs for 21st century national and global
8 information access, interdependence, and interconnections.
- 9 (b) Digital media arts is not a graduation required literacy, is
10 not required to be tested, nor is it a subject area that is a focus for
11 proper reimbursement in the core subjects of the education
12 system.
- 13 (c) No system shaping, planning, collaboration, or strategy
14 exists between the public and private sectors to promote the
15 necessary paradigm shift to include digital media and
16 telecommunications technology as an economic priority
17 investment and cultural breakthrough arena for California's
18 youth population.
- 19 (d) No significant data collection and analysis exists among
20 the high-technology industries or in the public agency sector to
21 ascertain the need for, or basis to plan to build, the field of digital
22 media arts in California.
- 23 (e) No coordinated or strategic digital media arts and
24 communications technology workforce development focus exists
25 within or between the Business, Transportation and Housing
26 Agency, the Labor and Workforce Development Agency, the
27 State Board of Education, and the postsecondary intersegmental
28 education system agencies.

(f) The search for hiring an out-of-state workforce with digital media arts skills is drastically expanding at the expense of meaningful and sustainable investments in our own youth and California's economic infrastructure.

SEC. 2. Section 23690 is added to the Revenue and Taxation Code, to read:

23690. (a) (1) There shall be allowed as a credit against the "tax," as defined in Section 23036, the amount allocated to the taxpayer by the commission under subdivision (f).

(2) In the case of an "S" corporation, the credit allowed under paragraph (1) shall be reduced as provided in Section 23803, and no credit may be passed through to the shareholders of any "S" corporation under this section.

(b) Commencing with the 2007 calendar year, and in each calendar year thereafter, the aggregate amount of credits that may be allocated by the commission under subdivision (f) of this section shall be an amount equal to the ~~sum of five million dollars (\$5,000,000)~~ *applicable annual allocation amount for the applicable calendar year*. Any unused allocation from any calendar year, and any returned credit allocations, shall be carried over to the next calendar year and shall increase the aggregate amount of credits that may be allocated in that subsequent year by the carryover amount.

(c) For purposes of this section:

(1) *The "applicable annual allocation amount" shall be as follows:*

<i>Calendar year</i>	<i>Annual Allocation Amount</i>
2007	\$1,000,000
2008	\$2,000,000
2009	\$3,000,000
2010	\$4,000,000
2011	\$5,000,000 and, each calendar year thereafter.

~~(1)~~

(2) "Program" means the Digital Arts Studio Partnership Demonstration Program established pursuant to Chapter 9.6 (commencing with Section 8770) of Division 1 of Title 2 of the Government Code.

~~(2)~~

1 (3) “Commission” means the host agency that will certify
2 partnerships and taxpayers.

3 ~~(3)~~

4 (4) “Taxpayer” means an applicant who has been allocated tax
5 credits by the commission.

6 ~~(4)~~

7 (5) “Partnership” means the state or local nonprofit
8 organization that is certified by the commission to be the
9 designated partner in any of the regions established by the
10 commission to receive donations and assistance.

11 ~~(5)~~

12 (6) “Support of the program” means only those activities and
13 items that advance the purposes of the program and includes all
14 of the following:

15 (A) Cash contributions.

16 (B) Mentors.

17 (C) Resident artists, scientists, designers, or communications
18 experts who work in any school or community-based nonprofit
19 program that is in a program partnership.

20 (D) Assistance in vocational and career educational
21 counseling.

22 (E) Educational tours and onsite training for youth and
23 mentors.

24 (F) Establishment and administration of “junior achievement
25 operations” or similar model programs at program partner
26 schools or nonprofit community agencies.

27 (G) Equipment or tools that are currently on the market or
28 emerging into the market.

29 (H) Beta testing and training at program sites for new and
30 emerging equipment and systems.

31 (I) Organizational design, management consultation and
32 assistance, curriculum and standards development, public service
33 media production, public awareness and outreach assistance, and
34 Web site development or maintenance with and for any program
35 partnership.

36 (J) Media or product exhibition venue and sponsorship
37 assistance.

38 (K) Fundraising and resource development assistance.

39 (L) Service learning opportunity support and assistance.

1 (M) Contributions to eliminate digital divide situations and
2 access disparities due to poverty, race, disability, gender, or
3 geographic barriers through organizational development and
4 system change interventions and resources.

5 (N) Scholarships.

6 (O) Sponsorship of program run video, film, Internet, audio, or
7 other digital media shows, exhibitions, or competitions for
8 students in program partner areas or schools.

9 (P) Design and development of curriculum at the state and
10 local levels.

11 (Q) Textbooks, software, and technical advice on how to use
12 donated equipment.

13 (R) Warranties and maintenance on equipment and tools.

14 (S) Provision of internships, fellowships, job shadowing, and
15 seasonal, part-time, or full-time employment opportunities for
16 either or both program partnership youth and mentors.

17 (T) Assistance in advanced educational or employment
18 opportunities for program partnership youth and mentors.

19 (d) No deduction may be allowed to the taxpayer for any
20 amount for which a credit is allowed under this section.

21 (e) No credit shall be allocated by the commission pursuant to
22 this section unless the taxpayer substantiates, by adequate books
23 and records or by sufficient evidence corroborating his or her
24 own statement, that expenses incurred for the “support of the
25 program” on which the credit was calculated were actually
26 incurred in the amount claimed. Substantiation of this item shall
27 include proof that the services were performed in California.

28 (f) The commission shall do all of the following:

29 (1) Allocate tax credits to applicants, including establishing a
30 procedure to allocate tax credits, on a first-come-first-served
31 basis. *The amount of the credit allocated by the commission to*
32 *any taxpayer may not exceed 20 percent of the taxpayer’s*
33 *expenses incurred for the “support of the program,” that are*
34 *substantiated pursuant to subdivision (e).*

35 (2) Establish a procedure for taxpayers to file a written
36 application, on a form jointly prescribed by the commission and
37 the Franchise Tax Board, for allocation of tax credits. The
38 application shall be filed under penalty of perjury and include,
39 but not be limited to, the following information:

40 (A) An application fee.

1 (B) The taxpayer's tax identification number.

2 (C) Any other information deemed relevant by the
3 commission.

4 (3) Determine and designate who is a qualified taxpayer
5 meeting the requirements of this section.

6 (4) Process and approve, or reject, all applications.

7 (5) Issue a certificate to the taxpayer setting forth the name
8 and taxpayer identification number of the taxpayer and the total
9 amount of the tax credit allocated.

10 (6) Establish specific audit requirements, in addition to those
11 provided under current law, that shall be complied with prior to
12 issuance of the certificate described in paragraph (5).

13 (7) Perform any audits required under this section.

14 (8) No later than March 1, 2007, promulgate those regulations
15 as may be necessary to establish procedures, processes,
16 requirements, and rules identified in or required to implement
17 this subdivision and paragraphs (3) and (4) of subdivision (c).
18 These regulations may be adopted on an emergency basis if
19 necessary to meet the March 1, 2007, deadline. For purposes of
20 this paragraph, these regulations may narrowly define the terms
21 listed in paragraph (5) of subdivision (c) to limit their meaning,
22 but may not expand the definition of any terms.

23 (g) The commission shall provide a list annually, to the
24 Franchise Tax Board, in the form and manner as shall be
25 determined by the commission and the Franchise Tax Board, of
26 the names, taxpayer identification numbers, as applicable, and
27 the total dollar amount of the tax credits allocated to each
28 taxpayer under this section.

29 (h) No credit shall be allowed pursuant to this section unless
30 the taxpayer receives certification of an allocation from the
31 commission.

32 (i) On or before January 1, 2008, and annually thereafter, the
33 commission shall report to the Legislature on the effectiveness of
34 the credits under this section in advancing the purposes of the
35 program.

36 (j) In the case where the credit allowed by this section exceeds
37 the "tax," the excess may be carried over to reduced the "tax" in
38 the following year, and succeeding eight years if necessary, until
39 the credit is exhausted.

1 SEC. 3. This act shall become operative only if Assembly
2 Bill 252 of the 2005–06 Regular Session is chaptered and
3 reauthorizes the Digital Arts Studio Partnership Demonstration
4 Program.

5 SEC. 4. No reimbursement is required by this act pursuant to
6 Section 6 of Article XIII B of the California Constitution because
7 the only costs that may be incurred by a local agency or school
8 district will be incurred because this act creates a new crime or
9 infraction, eliminates a crime or infraction, or changes the
10 penalty for a crime or infraction, within the meaning of Section
11 17556 of the Government Code, or changes the definition of a
12 crime within the meaning of Section 6 of Article XIII B of the
13 California Constitution.

14 SEC. 5. This act provides for a tax levy within the meaning of
15 Article IV of the Constitution and shall go into immediate effect.